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C O N F I D E N T I A L SECTION 01 OF 03 MINSK 000551

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SUBJECT: BELARUS HOPES TO REVERSE GSP SUSPENSION

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Classified By: Ambassador Karen Stewart for reason 1.4 (d).

Summary

[1](#)1. (U) The GOB has responded relatively tamely to the June 21 suspension of the EU's General System of Preferences (GSP) for Belarus. Although a loss to the country's budget, independent analysts doubt the annual impact will amount to more than USD 67 million. However, Belarus' image will suffer the most and the move could cost the country much more in lost foreign investment opportunities. The GOB is hoping to reverse the suspension by fulfilling the ILO's 12 recommendations by November, but local ILO representatives doubt it can be done. End summary.

Belarus Losing More in Reputation Than in Dollars

[1](#)2. (U) On June 21, the European Union's (EU) December 2006 decision to remove Belarus from its General System of Preferences (GSP) came into effect after the GOB failed to implement the International Labor Organization's (ILO) 12 recommendations to improve worker and independent trade union rights (reftels). The result is an EU tariff increase of up to four percent on Belarusian-made goods. Earlier assessments estimated the economic loss to be USD 300 million-500 million, but a recent Institute of Privatization and Management (IPM) analysis estimated at most a USD 214 million annual loss. However, IPM claimed tariffs would increase by less than one percent for 60 percent of Belarusian exports to the EU (mineral fuel and oil tariff increases will average 0.34 percent, iron and steel products 0.04%, and fertilizers 0.6%) and put the direct overall loss at USD 23-67 million.

[1](#)3. (C) The real economic loss for Belarus would be the GSP suspension's effect on the country's image. IPM Deputy Director for Research Irina Tochitskaya told Acting Pol/Econ Chief the precedent of EU economic sanctions against Belarus harms Belarus' image at a time when the country hopes to attract foreign investment. This precedent, in Tochitskaya's opinion, will likely damage the economy more than the tariffs themselves.

EU Suspends GSP, GOB Reacts and Goes Silent

[1](#)4. (C) The Belarusian MFA on June 21 called the GSP

suspension a "temporary" and "short-sighted" move that contradicted the EU's declared intention to improve Belarusian's standard of living and would negatively effect European-Belarusian economic cooperation and EU economic growth. However, after the announcement, the GOB has not made any more official statements on the GSP suspension. In a June 27 meeting, ILO representative Nataliya Varishagina noted to Poloff the GOB's quietness, which was unusual given that several high-ranking officials, including Deputy Head of the Presidential Administration Nataliya Petkevich and head of the pro-government Federation of Trade Unions of Belarus (FTUB) Leonid Kozik, made many trips to Geneva to convince the ILO that Belarus was making progress. Varishagina attributed the leadership's lack of response to false hopes that they would be able to convince the ILO and EU by November that the GOB will improve labor rights.

ILO Once Again Lambastes GOB "Progress"

15. (U) Executive Director of the ILO Kari Tapiola and Deputy Director of the ILO Standards Department Karen Curtis on June 20-23 visited Minsk to participate in a discussion with GOB officials about the country's draft trade union law and attend a council meeting for improving labor regulations. At the end of the visit, Tapiola publicly criticized the draft law, stating that it would raise the degree of governmental control over trade unions and run counter to the ILO's 12 recommendations.

16. (U) Tapiola called the GOB trade union registration process the sole indicator of Belarus' willingness to abide by ILO recommendations. Existing legislation and the draft

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law will still require trade unions to have minimum membership levels before being eligible for registration. According to Tapiola, such restriction and registrations violate international standards of association and labor rights.

Ministry of Labor Keeps Smiling

17. (C) A rare occurrence, a Ministry of Labor official agreed to meet with Poloff on a week's notice to discuss the GOB's "progress" in fulfilling the ILO's recommendations. (Comment: In past meetings with the Ministry, dip notes must be passed to the MFA, followed by a month-long wait before a meeting is arranged. End comment.) Director of the External Relations and Partnership Policy Department Igor Starovoytov on June 26 listed the steps the GOB had taken to implement ILO's twelve recommendations. At the ILO's request, the GOB had:

- registered four out of six unregistered chapter trade unions;
- abolished the Republic Registration Commission, leaving the Ministry of Justice the sole registration authority;
- created a Council for the Improvement of the Legislation in the Social and Labor Sphere that would assess and decide on trade union violations;
- prohibited heads of enterprises from interfering in trade union activities;
- reinstated air-dispatcher Oleg Dolbik;
- and admitted Head of the Belarusian Congress of Democratic Trade Unions (BCDTU) Aleksandr Yaroshuk to the National Council on Labor and Social Issues.

18. (C) Meanwhile, the GOB had consulted with the ILO seven times about the language of the draft trade union law. ILO's first reading of the law was very critical, but since then Belarus had incorporated many of ILO's suggestions and was a work in progress. According to Starovoytov, the GOB agreed to lower the minimum membership requirements needed for trade union registration and other restrictive language.

Starovoytov claimed the GOB was working hard to make the registration process more transparent and hoped all the problems would be solved by November, when ILO is scheduled to return to the Belarus question.

"Independent Unions Feeding the West Lies"

¶9. (C) Starovoytov indirectly blamed the "so-called" independent trade unions BCDTU and the Radio Electronic Workers Union (REP) for Belarus' current problem with the ILO. According to Starovoytov, the GOB could not have a dialogue with these unions because they were always including the "general situation (in Belarus)" (i.e., politics) when they should really only be discussing the trade union problems at hand. Secondly, independent unions' allegations were not always correct. For example, eight of the primary complainers to the ILO -- those who lost their jobs "allegedly" for their union activity -- are not telling the entire truth. For better clarification, according to Starovoytov, these men were not "fired," but the mere terms of their contract ended and one of the two parties (the employee or employer) did not want to continue the relationship. When Poloff asked what reason was given to the workers for failing to renew their contracts, Starovoytov dodged the question, repeating that the contract ended because one of the parties did not want to participate. "All countries in the world have a similar contract system and no court would hold an employer accountable if the conditions of the contract ended and it was not renewed."

Starovoytov Blowing Smoke

¶10. (C) Varishagina on June 27 dismissed Starovoytov's explanations as the same deceitful rhetoric the GOB used with the ILO. As the GOB continues to "make progress," trade union violations continue. In the latest example on June 21 -- the day the EU suspended the GSP -- unknown men beat a Gomel REP activist on the territory of the factory he worked in. According to the union member, as they beat him they warned him to stop writing complaints about labor violations.

¶11. (C) Another example occurred during Tapiola's visit. The

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June 22 issue of the largest state newspaper, "Sovetskaya Belarus," published an article that blamed BCDTU leader Yaroshuk, REP leader Gennadiy Fedynich, and Party of Labor leader Aleksandr Bukhvostov for the GSP suspension. The author of the article asked Belarusians to thank the union leaders for "stealing money from Belarusian children with a cheeky grin." (Note: State television broadcast a similar cynical piece. End note.) Varishagina called the article a direct attack against independent unions, their leaders, and the leaders' families. Tapiola on his last day warned the GOB against exercising pressure on trade union activists over their complaints to the ILO and not to blame them for the GSP suspension.

Comment

¶12. (C) The GOB still hopes to reverse the GSP suspension process by November and for that reason is not releasing any of its normal fire and brimstone responses. In a June 20 casual conversation, the Head of the UN Mission in Minsk told acting Pol/Econ Chief that Tapiola's visit confirms the GOB does recognize the ILO's mandate -- even though they disagree with the conclusions -- as the GOB, in contrast, refused to ever deal with the now defunct UN special rapporteur for human rights. Nonetheless, with the GOB's half-hearted attempts to appease the ILO and the continuation of trade union violations, it is doubtful that Belarus can reverse the EU decision by November.

Stewart